

RX 17



Alta Mesa Resources

Sarbanes-Oxley Compliance Project

August 13, 2018



Alta Mesa Resources, Inc.

FY'18 SOX Compliance Snapshot



Agenda

- Project Status Overview
- Process-Level Risk Assessment Results
- Walkthrough & Test of Design Overview
- Test of Effectiveness Status & Results
- Q3'18 Planned Activities



On Schedule

August 13, 2018



6 of 11
Milestones Reached



25%
Interim Testing
Completed

Key Activities/Milestones – 2018

	Key Activity / Milestones	Beg	End
✓	Project Kick-off / Planning Meeting	5/01	5/01
✓	Materiality & Scoping Workbook	4/25	5/01
✓	COSO 2013 Alignment	5/01	5/15
✓	Walkthroughs & Test of Design	5/01	5/25
✓	Update Documentation (e.g. Narratives, etc.)	5/01	5/25
✓	IT General Control Design Evaluation	6/4	7/16
	Testing of Effectiveness: Interim	7/16	8/15
	Testing of Effectiveness: Update	10/29	11/30
	Testing of Effectiveness: Year End	2/01	2/27
	IT General Controls: Interim Testing of Effectiveness	8/13	9/17
	IT General Controls: Year End Testing	10/29	2/27



Not Started Complete In-Progress Delayed

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Process-Level Risk Assessment Results



Process Description	Preliminary FY'18 Assessment	Key Control Count
Financial Statement Close & Reporting	High	10
General Accounting & Month End Close	High	7
Reserve Estimation	High	15
Acquisitions & Divestitures	High	7
Income Taxes	High	9
Proved & Unproved Property Impairment	High	1
Equity & Deferred Compensation	High	7
Goodwill & Intangible Assets	High	4
Revenue and Accounts Receivable	Moderate	12
Asset Retirement Obligation	Moderate	9
Oil & Gas Properties	Moderate	2
Depletion	Moderate	1
Land Administration	Moderate	12
Hedging and Derivatives	Moderate	3
Accrued Liabilities	Moderate	3
Long Term Debt	Moderate	4
Purchase to Pay	Moderate	12
Joint Interest Billing	Low	5
Treasury & Cash Management	Low	11
Human Resources & Payroll	Low	7

140

- Identified entity-level controls and mapped to COSO 2013 principles.
- Ratings based on inherent Financial reporting / Fraud Risk
- Risk Assessment is updated quarterly to ensure changes to the environment are identified and included in management's assessment
- 20 Significant Business Processes / Classes of Transaction & 140 "key" business process controls
- Significant in-scope systems include:
 - BOLO
 - ARIES
 - Onbase
 - Network / Active Directory

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Walkthroughs & Test of Design



- Completed walkthroughs for all planned walkthroughs.
- Worked with management to refine the existing internal controls and update process documentation to reflect revised control descriptions.
- Working with management to complete documentation and/or test of design for recently implemented or modified processes and controls:
 - Financial Reporting
 - Acquisitions & Divestitures
 - Income Taxes
 - Goodwill & Intangible Assets
 - Oil and Gas Properties
- For the processes listed above, test of design is being performed in conjunction with test of effectiveness procedures. Due to the timing of control performance, we have not completed procedures related to these processes as August 6, 2018.
- Additional controls will be added related to **lease standard** implementation once the project kicks-off

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Interim Test of Effectiveness



Process Description	Phase II (Testing of Effectiveness - Interim)		
	Testing Status	Control Count	% Complete
Financial Statement Close & Reporting	In-Progress	10	10%
General Accounting & Month End Close	In-Progress	7	29%
Reserve Estimation	In-Progress	9	0%
Acquisitions & Divestitures	In-Progress	7	0%
Income Taxes	In-Progress	7	0%
Proved & Unproved Property Impairment	In-Progress	1	0%
Equity & Deferred Compensation	In-Progress	7	0%
Goodwill & Intangible Assets	In-Progress	4	0%
Revenue and Accounts Receivable	In-Progress	12	42%
Asset Retirement Obligation	In-Progress	7	0%
Oil & Gas Properties	In-Progress	2	0%
Depletion	In-Progress	1	0%
Land Administration	In-Progress	11	9%
Hedging and Derivatives	In-Progress	3	33%
Accrued Liabilities	In-Progress	3	67%
Long Term Debt	In-Progress	4	0%
Purchase to Pay	In-Progress	15	33%
Joint Interest Billing	In-Progress	4	75%
Treasury & Cash Management	In-Progress	10	60%
Human Resources & Payroll	In-Progress	6	17%

- Testing completed for 25% of controls selected for testing during interim period
- No significant deficiencies or material weakness identified to date
- Recently implemented controls (e.g. business combination, fair value, taxes, etc.) have been selected for interim testing to ensure they are in place and operating
- Collaborating with KPMG to identify reliance controls
- IT General Control testing of effectiveness planned for first week of August

35-40% complete
nothing different so far

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Q3'18 Planned Activities



- ✓ Complete test of design procedures for recently implemented processes / controls
- Assist management with preparing process documentation for newly implemented processes / controls
- Complete interim Testing of Effectiveness
- Collaborate with KPMG and confirm reliance controls
- Work with management to document ASC 842 implementation controls
- Schedule Rollforward Testing